Senate

General Assembly

File No. 256

January Session, 2019

Senate Bill No. 72

Senate, April 1, 2019

The Committee on Banking reported through SEN. BERGSTEIN of the 36th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS THAT MAKE PAYMENTS ON LOANS ISSUED TO CERTAIN EMPLOYEES BY THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective January 1, 2020, and applicable to taxable years commencing on or after January 1, 2020*) (a) As used in this section:

(1) "Authority" means the Connecticut Higher Education Supplemental Loan Authority;

(2) "Eligible education loan" means a loan issued by the authority to an individual to (A) finance attendance at an institution of higher education, or (B) refinance one or more student loans;

(3) "Full-time" means required to work at least thirty-five hours per week;

(4) "Qualified employee" means an individual who (A) is a resident

of the state, (B) is employed full-time in the state, (C) has received an eligible education loan, and (D) has resided and been employed full-time in the state for at least five years after (i) graduating from an institution of higher education, or (ii) receiving an eligible education loan to refinance one or more student loans;

(5) "Qualified employer" means a corporation licensed to operate a business in the state that is subject to tax under chapter 208 of the general statutes; and

(6) "Student loan" means any loan in repayment that was issued by (A) the authority, or (B) any other private or governmental lender to finance attendance at an institution of higher education.

(b) (1) Except as provided in subdivision (2) of this subsection, each qualified employer that (A) employs a qualified employee, and (B) makes a payment directly to the authority on an eligible education loan on behalf of such employee may claim a credit against the tax imposed under chapter 208 of the general statutes. Such credit shall be in an amount equal to fifty per cent of the amount of such payments made by such qualified employer on behalf of qualified employees during the taxable year.

(2) A qualified employer may not claim the credit under this subsection for (A) any loan payment in excess of the amount due by the eligible employee during the taxable year, or (B) more than five taxable years with respect to a specific qualified employee.

(c) A qualified employer that claims the credit under subsection (b) of this section shall provide any documentation required by the Commissioner of Revenue Services in a form and manner prescribed by the commissioner.

This act shall take effect as follows and shall amend the following sections:

Section 1	*January 1, 2020, and applicable to taxable years commencing on or after January 1, 2020*	New section

BA *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $
Department of Revenue Services	GF - Revenue Loss	None	Up to 10.5 million
Department of Revenue Services	GF - Cost	141,213	68,531
State Comptroller - Fringe Benefits[1]	GF - Cost	27,273	28,228

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a credit against the Corporation Business Tax for certain student loan payments on employees' behalf, results in: 1) a General Fund revenue loss of up to $10.5 million annually beginning in FY 21, 2) a one-time cost to the Department of Revenue Services (DRS) of $75,000 for updates to the online Taxpayer Service Center and internal Integrated Tax Administration System in FY 20 only, and 3) an on-going cost to the DRS of $93,486 in FY 21 and $96,759 in FY 21 for salary and fringe benefit costs associated with one Revenue Examiner.

The actual revenue loss is dependent on: 1) the number of firms making eligible loan payments, 2) the number of qualified employees with eligible loans, and 3) the total amount of qualified loan repayment by employers.

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

The tax credit is equal to 50% of all payments made on behalf of a qualified employee to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) on loans the authority issued. Based on the information available in CHESLA's latest annual report the Authority has $125 million in student loans outstanding, with approximately $21 million considered current in 2018.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Connecticut Higher Education Supplemental Loan Authority Annual Report Fiscal Year Ended June 30, 2018

OLR Bill Analysis

SB 72

AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS THAT MAKE PAYMENTS ON LOANS ISSUED TO CERTAIN EMPLOYEES BY THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

SUMMARY

This bill establishes a state corporation business tax credit for an employer that makes eligible education loan payments on a qualified employee's behalf. The credit equals 50% of all payments made on behalf of a qualified employee to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) on loans the authority issued. Under the bill, an employee must:

1. be a Connecticut resident working at least 35 hours per week at a corporation licensed in Connecticut that is subject to the corporation business tax, and

2. have resided and been employed full-time (35 hours per week or more) in Connecticut for at least five years after graduating from an institution of higher education or refinancing one or more student loans with CHESLA.

The bill limits employers from claiming credits for (1) more than five taxable years per employee or (2) loan payments greater than the amount due by the employee in a single taxable year. (The bill is silent as to how the amount due in a single year is calculated.)

To claim the credit, the employer must submit any documentation required by the revenue services commissioner in a form and manner he prescribes.

EFFECTIVE DATE: January 1, 2020, and applicable to tax years

commencing on or after that date

COMMITTEE ACTION

Banking Committee

Joint Favorable
Yea 10 Nay 5 (03/12/2019)